

Message Text

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CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 SWF-01 /090 R

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STR:ELAPP

COMMERCE:JJOHNSTON

TREASURY:JJOHNSON

AGRICULTURE:JSTARKEY

EA:LEADMONDS

EA/PHL:RWILLNER

EB/OT/TA:TGEWECKE

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TO AMEMBASSY MANILA PRIORITY

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E.O. 11652 N/A

TAGS: ETRD, RP

SUBJECT: U.S. TRADE BILL AND THE PHILIPPINES--VEGA

PROPOSALS

REF: MANILA 13995

1. GOP PAPER (VEGA PROPOSALS) CONCERNING POSSIBLE BENEFITS
FOR PHILIPPINES UNDER THE TRADE REFORM ACT (TRA) MADE
AVAILABLE TO DEPARTMENT ON AN INFORMAL BASIS BY
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PHILIPPINE EMBASSY IN LATE OCTOBER. WASHINGTON AGENCIES

HELD PRELIMINARY DISCUSSION OF DOCUMENT NOVEMBER 18. MOST OF THE ITEMS WILL HAVE TO BE EXPLORED FURTHER ONCE WE HAVE AN INDICATION OF WHAT THE FINAL LANGUAGE OF THE BILL WILL LOOK LIKE. SOME PROPOSALS, HOWEVER, APPEAR UNWORKABLE UNDER PRESENT CIRCUMSTANCES. FOLLOWING (NOT INTENDED TO BE EXHAUSTIVE) IS PRIMARILY FOR YOUR BACKGROUND.

2. AS EMBASSY IS AWARE, THE TRADE BILL IS IN FINAL STAGES OF THE LEGISLATIVE PROCESS, WITH CONSIDERATION ON THE SENATE FLOOR SCHEDULED TO BEGIN DECEMBER 10 AND HOPEFULLY TO BE FOLLOWED QUICKLY BY ACTION IN HOUSE-SENATE CONFERENCE. IN VIEW OF THE SIGNIFICANT DIFFERENCES BETWEEN THE HOUSE AND SENATE VERSIONS OF THE BILL, WE ARE UNABLE TO PREDICT AT THIS TIME THE ULTIMATE OUTCOME ON DISPUTED PROVISIONS INCLUDING THOSE AFFECTING GSP.

3. IN ANY EVENT WASHINGTON AGENCIES REMAIN COMMITTED TO BEING AS FORTHCOMING AS POSSIBLE WITH RESPECT TO THE PHILIPPINES CONSISTENT WITH THE PROVISIONS OF THE BILL AND OTHER U.S. INTERESTS. INTERAGENCY TRADE STAFF COMMITTEE (TSC) WILL PREPARE A LIST OF PHILIPPINE PRODUCTS TO BE INCLUDED IN THE PROPOSED GSP PRODUCT LIST WHICH WILL BE SUBMITTED TO THE TARIFF COMMISSION ONCE THE BILL HAS PASSED. TSC WILL ALSO ATTEMPT TO DETERMINE AT THAT TIME WHICH PHILIPPINE PRODUCTS MIGHT BENEFIT FROM THE HUMPHREY-BENTSEN AMENDMENTS, PROVIDED THE LATTER ARE RETAINED IN THE FINAL VERSION OF THE BILL. (INTRODUCED DURING SENATE FINANCE COMMITTEE HEARINGS, THE HUMPHREY-BENTSEN AMENDMENTS PROVIDE FOR NON-APPLICATION OF 50 PERCENT COMPETITIVE NEED CEILING IF NO "LIKE OR DIRECTLY COMPETITIVE ARTICLE" IS PRODUCED IN THE U.S. IT WOULD ALSO PROVIDE FOR ANNUAL INCREASES IN 25 MILLION DOLLAR CEILING PROPORTIONAL TO GROWTH OF U.S. GNP.)

4. FINALLY WITH RESPECT TO THE DUTY ON PHILIPPINE MAHOGANY PLYWOOD, SOME MFN REDUCTION FROM THE PRESENT 20 PERCENT AD VALOREM RATE MAY BE POSSIBLE, ALTHOUGH PRESENT SITUATION IN U.S. BUILDING INDUSTRY IS MAKING LIMITED OFFICIAL USE

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PLYWOOD INCREASINGLY SENSITIVE ITEM. USG POSITION CONTINUES TO BE, HOWEVER, THAT REDUCTION ON PLYWOOD SHOULD BE DEALT WITH IN MTN TO AVOID GIVING A FREE RIDE TO MAJOR SUPPLIERS (PRESENTLY, THE PHILIPPINES IS ONLY THE THIRD LARGEST SUPPLIER).

5. SEPTTEL FOLLOWS CONCERNING LAST MINUTE SENATE FINANCE COMMITTEE INSERTION IN TRADE BILL OF LANGUAGE REPLACING

NATIONAL INTEREST WAIVER WHICH, BY REFERRING TO COUNTRIES
HAVING HISTORICAL PREFERENTIAL RELATIONSHIP WITH U.S.,
WOULD PROBABLY EXEMPT PHILIPPINES FROM COMPETITIVE NEED
CEILING IF ACCEPTED BY HOUSE-SENATE CONFERENCE.
EMBASSY REQUESTED NOT TO RAISE THIS SUBJECT WITH
GOP UNTIL RECEIPT SEPTEL. KISSINGER

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